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SUBJECT: AFGHANISTAN'S PROGRESS ON THE 1386 BUDGET

(U) This message contains SENSITIVE BUT UNCLASSIFIED information.  
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1.(U) SUMMARY: The Government of Afghanistan is developing its 1386 budget in a professional and timely manner. The process, though not yet complete, is a substantial improvement upon last year, which resulted in the budget being delayed by many months. The Ministry of Finance, charged with the responsibility of preparing the budget, was able to obtain Cabinet approval and provided the draft to the Parliament on February 8, four days after the statutory deadline. The Parliament is currently reviewing the budget, but is unlikely to complete its approval process by the March 21 constitutional deadline. END SUMMARY.

2.(U) The Ministry of Finance (MOF) Budget Department is responsible for developing and rationalizing the budget. A key part of this process involves consultations with the International Monetary Fund (IMF) to ensure the budget envelope is consistent with Afghanistan's IMF program. MOF Budget Department officials began budget preparation much earlier this year to avoid major delays, and the Budget Department plans to begin the process even earlier for Afghan Calendar year 1387.

3.(U) The budget was approved by the Cabinet and then presented to Parliament on February 8, four days after the deadline. (The Public Finance and Expenditure Management Law requires that Parliament receive the budget 45 days before the end of the fiscal year.) This minimal delay was, in part, due to consultations with donors on increased security spending. The Joint Coordinating and Monitoring Board (JCMB) meeting in Berlin, January 30-31, which required the participation of several key government officials at a time when the budget was being finalized, was another factor in the delayed submission.

4.(SBU) The Parliament is supposed to approve the budget by March 21, the beginning for the new fiscal year. (Note: Article 98 of the Constitution states that if the new budget is not approved in time, the budget of the previous year is applied until the new budget is passed.) In its review, Parliament has raised questions about a

disparity between the government's independent auditing department and the MOF about the amount of government expenditures. Parliament also asked questions regarding the rate of budget execution of the 1385 development budget. Some Members have also questioned proposed provincial-level budget allocations.

5.(SBU) COMMENT: While the 1386 budget has not yet been approved by Parliament, the Government of Afghanistan (GOA), particularly MOF, has made a serious and professional effort to produce the budget on time. This is a substantial improvement upon the process last year. Post will continue to track parliamentary engagement in the budget process.

NEUMANN